

## PART II TAX RETURN – TOBACCO MANUFACTURERS' SURTAX

Name of Corporation	Business Number	Taxation year-end Year    Month    Day 
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Use this return to report the tobacco manufacturers' surtax. The surtax applies for the period beginning February 9, 1994, and ending February 8, 2000, with a proration for taxation years that straddle these dates.

Tobacco manufacturing is any activity (other than farming) relating to the manufacture or processing in Canada of tobacco or tobacco products in or into any form that is, or would after any further activity become, suitable for smoking.

**File the completed Form T1123 with the T2 Corporation Income Tax Return within six months from the end of the taxation year.**

Do not file Form T1123 if the corporation is a Canadian-controlled private corporation and the total of its income from active businesses (before deducting its losses from active businesses) is less than its business limit.

**The calculation of Part II tax is done in two steps.**

### STEP 1

$$\left( \left[ \frac{\text{A}}{\text{B}} \times \frac{\text{C}}{\text{D}} \right] - \frac{\text{D}}{\text{E}} \right) \times 21\% = \text{E}$$

Where:

- A is the corporation's Canadian manufacturing and processing profits for the year as calculated in Area B of Schedule T2S(27), except when the corporation has loss(es) from active business(es) other than tobacco manufacturing. If a corporation's loss(es) from active business(es) other than tobacco manufacturing exceeds its income from active business(es) other than tobacco manufacturing, the excess should be added back to determine the adjusted business income.
- B is the total of the corporation's "tobacco manufacturing capital" and "tobacco labour cost" for the year. These two amounts can be calculated on Schedule T2S(27). The amounts are calculated in the same manner as "manufacturing and processing capital" and "manufacturing and processing labour", but replace the term **manufacturing or processing** with **tobacco manufacturing** in the definition of "qualified activities".
- C is the total of the corporation's cost of manufacturing and processing capital (MC) for the year and its cost of manufacturing and processing labour (ML) for the year. These two amounts are calculated on Schedule T2S(27).
- D is the corporation's business limit for the year. If the corporation is not a Canadian-controlled private corporation, this amount is nil.

### STEP 2

$$\frac{\text{E}}{\text{F}} \times 40\% \times \frac{\text{number of days in the taxation year after February 8, 1994, and before February 9, 2000}}{\text{number of days in the taxation year}} = \text{F}$$

- F is the Part II tax payable. This amount is due on or before the later of June 30, 1994, and the last day of the second month after the end of the taxation year.